GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4052
ANSWERED ON:14.12.2001
DEVALUATION OF RUPEE
TARACHAND BHAGORA

Will the Minister of FINANCE be pleased to state:

(a) the reasons for constant devaluation of Indian currency vis-Ã -vis US dollar;

(b) the number of times Indian rupee has been devalued during the last

(c) two years;

(d) the measures being taken to stop devaluation of Indian rupee in future

(e) as against US dollar;

(d) whether the constant decline in the rate of interest on bank deposits given to the consumers also signifies weakening of Indian economy; and

(e) the efforts being made by the Government to tackle this situation?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) & (b): The exchange rate of the rupee against the US dollar, effective from March 1993, is largely market determined. Under this system, the rupee-dollar rate moves in both directions on a day-to-day basis depending on the demand for and supply of foreign exchange in the market.

(c): The developments in the financial markets in India and abroad are monitored closely both by the Government and the Reserve Bank of India and appropriate measures are taken, when necessary, to reduce excessive volatility in the exchange rate, prevent the emergence of destabilizing speculative activities, develop orderly foreign exchange market condition and to help maintain adequate level of foreign exchange reserves.

(d) & (e): The softening of nominal interest rates, including interest rate on bank deposits, on a sustained basis reflects the decline in rate of inflation and inflation expectations in the economy since the mid-1990s. It is in line with the overall monetary policy stance of imparting greater flexibility to the interest rate regime in the medium-term. The decline in nominal interest rates is expected to help promote revival of the economy.